

Beating the ODDS



**Major Accomplishments
of the Arroyo Administration**

January 2001 to January 2003

EXECUTIVE SUMMARY

The accomplishments of the Arroyo Administration in the past two years are tangible results of the government's efforts towards establishing a Strong Republic.

The efforts of the Arroyo Administration to build a Strong Republic during the past two years have been difficult, having to contend with extremely harsh domestic and global economic conditions and the threat of terrorism. Nonetheless, substantial accomplishments have been made under the pillars of the President's anti-poverty campaign: an economic philosophy of free enterprise, a modernized agricultural sector founded on social equity, a social bias toward the disadvantaged to balance economic development, and good governance to build confidence in the nation and channel resources to the poor. The government also made headway in the delivery of the essential service of peace and order and in the fight against terrorism.

Corollary to this, the Administration has laid out an 8-point work program that will provide the impetus for economic recovery and structural reforms.

The accomplishments of the Arroyo Administration are grouped into 6 sectoral concerns: Poverty Alleviation; Environment and Natural Resources; Economy and Infrastructure; Political Stability and National Unity; Good Governance; and International Relations.



POVERTY ALLEVIATION

Housing. A total of 253,070 urban poor households were provided shelter security in public lands proclaimed by the President as alienable and disposable for housing purposes and 189,338 very poor and workers' households were provided housing and slum upgrading services.

The following initiatives were pursued to jumpstart the housing sector: (a) increased loan-to-collateral ratio which in effect removed equity for loans up to P500,000; (b) lowered interest rates; (c) generated P7.0 billion in face value amount of Home Guaranty Corporation (HGC) Zero Coupon Bonds to reduce outstanding guarantee calls and allow more mortgage guarantees to be given; and, (d) reduced processing time for the issuance of housing-related permits and ECCs for priority projects such as socialized housing.

Food Security. The Agriculture and Fisheries Modernization Program was implemented with an allocation of P29.75 billion in 2001 and P33.8 billion in 2002 primarily for irrigation, post-harvest facilities, credit and marketing assistance, and other infrastructure. The mammoth Mal-Mar Irrigation Dam was completed in September 2001 which generated some 6,526 hectares benefiting 4,549 farmers.

Food security was enhanced with the increased palay production from 12.95M MT in 2001 to 13.22M MT in 2002, which is at 93% sufficiency level. Rice importation was opened up, where deemed necessary, while at the same time strengthening government support to farmers to increase farm productivity and incomes through, among others, the adoption of modern farming technologies and production of certified and hybrid rice.

About 229,500 coconut farmers benefited from livelihood and credit assistance, low-priced commodities and upgraded insurance policies. A total of P700 million from coco levy funds is also set to be released to further assist small coconut farmers.

Some 469 stationary stores were established nationwide and 1,500 rolling stores were accredited, 1,062 of which were deployed nationwide, particularly in depressed areas.

Agrarian Reform. DAR and DENR distributed 324,721 hectares of public and private land from January 2001 to February 2003 while NCIP distributed the Certificate of Ancestral Domain Titles in Bakun, Benguet; Lanuza, Surigao Del Sur; Ocampo, Camarines Sur; and Boston, Davao Oriental covering 65,505 hectares.

A total of 237 new Agrarian Reform Communities (ARCs) were launched to optimize the allocation and use of limited resources for the provision of development interventions/support services such as infrastructure, credit, training, extension and community organizing.

Jobs and Livelihood. A total of 1,374,660 jobs were generated in the agriculture and fisheries sector from July 2001 to December 2002.

Some 30,000 Out-of-School-Youths (OSYs) in Metro Manila and 48,522 OSYs in Region IV were given emergency employment and another 13,622 OSYs nationwide were provided skills and livelihood training under Project OYSTER (Out-of-School Youth Serving Towards Economic Recovery).

A total of 770,000 poor borrowers were extended credit, representing 77% of government's target of 1 million poor households provided with credit assistance by 2004. Of this, about 466,000 were women.

Conciliation success rate increased from 94.3% in 2001 to 96.3% in 2002, resulting in only 36 strike incidents in 2002, the country's lowest strike incidence in 21 years.

Health. A total of 1,296,614 urban and rural poor families or about 6.4 million beneficiaries were enrolled under the National Health Insurance Program as of February 2003.

To lower the costs of medicines, 42 low-cost, frequently used medicines worth P75 million were imported and made available in 76 DOH hospitals. A total of 108 LGU hospitals also ordered these medicines, and over-the-counter and herbal medicines were made available in 274 Botikas ng Barangay (BnB) and all NFA rolling stores.

Education. Some 53.2 million textbooks were procured for all public schools for priority subjects in Grades 1 to 4 and 1st to 2nd Year High School students, of which 50.5 million have been delivered benefiting 16.8 million students.

Some 555 school buildings were constructed in line with the program to provide school buildings in unserved barangays. Another 600 are targeted to be constructed by June 2003.

Social Services. The Administration's anti-poverty strategy known as KALAHI Program ("Kapit-Bisig Laban sa Kahirapan), which involves the fast-tracked delivery of social services to urban poor communities to address their immediate and long-term needs, was implemented in 40 provinces, covering 285 barangays.

ENVIRONMENT AND NATURAL RESOURCES

To protect and rehabilitate the country's natural resources, 25,954 hectares of open and denuded areas were rehabilitated, five protected areas were proclaimed (Mt. Isarog National Park, Bulusan Volcano Natural Park, Northwestern Panay Peninsula Natural Park, Mt. Malindang Natural Park and Initao Protected Landscape), and 2,221 hectares of degraded mangrove areas were rehabilitated.

The escalating problems of pollution, criminality and insurgency, health and safety hazards, social dislocation and injustice in the Diwalwal area was solved through the issuance of Proclamation No. 297 declaring the area as mineral reservation and an environmentally critical area, with some parts open to enable small-scale miners to draw income from mining activity.

Average water production for Metro Manila was increased from 3,906 million liters per day (MLD) in 2001 to 4,065 MLD in 2002.

ECONOMY AND INFRASTRUCTURE

Macroeconomy. The economy posted improved Real GDP and GNP growths for the year 2002, expanding to 4.6% and 5.2% respectively, exceeding government's whole year projection of 4.0-4.5% for Real GDP and 4.5-5.5% for Real GNP.

Historic low inflation rates were achieved in 2002 with average inflation rate decelerating to 3.1% in 2002 from 6.1% in 2001. Interest rates were maintained at around 5% compared to 9.86% in 2001, well below the revised official projection of 8%. Average inflation for the first quarter of 2003 stood at 2.9%, lower than the 4.5% - 5.5% inflation target for 2003. Interest rate from January to February 2003 averaged 5.33% compared to 7.55% for the same period in 2002.

Fiscal and Finance. The deficit level reached P212.7 billion in 2002, lower than the revised ceiling of P223 billion. Cognizant of the below target performance in revenue collections in 2002, new measures were instituted at the BIR to improve revenues.

The Special Purpose Asset Vehicle (SPAV) was signed into law to help liquidate non-performing loans (NPLs) as well as foreclosed assets and replenish beleaguered loan portfolios of banks with fresh capital that may subsequently be released and utilized to fund developmental and social projects such as housing.

Investments. Foreign Direct Investments (FDIs) registered an 18.8% increase to \$30.4 million (P1.6 billion) for the first half of 2002 from \$25.6 million (P1.3 billion) registered during the same period last year. However, total approved FDIs dipped to P4.7 billion during the third quarter, or 81% lower than its 2001 level of P25.0 billion.

A total of 343 investment projects were approved involving P38.56B, and generating actual employment of 804,055 and additional potential employment of 24,992.

Foreign Trade. The total external trade in goods was registered at US\$5.608 billion as of January 2003, which is 20.8% higher than the US\$4.641 billion achieved in January 2002. Balance of trade indicates positive exports growth of 2.3% and a healthy imports growth of 45.1%.

Domestic Trade and Industry. The Micro, Small and Medium Enterprises Plan was adopted to create a seamless and one-stop system with uniform application forms, criteria, and loan amount modules under a single-branded program. The government is pursuing SME development through a P10 billion allocation from GFIs for SME programs and launching of the One Town, One Product, One Million Pesos project to develop SMEs.

The Barangay Microbusiness Enterprise Law was signed on 13 November 2002 to bring the underground businesses into the ambit of the formal system.

Tourism. Visitor arrivals to the Philippines rose to 1.93 million in 2002, or over 7.7 percent increase from 1.79 million in 2001, translating into tourism receipts of approximately US\$1.64 billion.

The WOW Makati Campaign was launched in line with the Make Makati the Shopping Capital of Asia program and promoted the 4 Days/3 Nights "More Than The Usual" Shopping Experience campaign.

Transport. Mass transit projects are being pursued to decongest and improve mobility in Metro Manila. The LRT II from Santolan, Pasig City to Cubao was inaugurated on 05 April 2003. Preparations for the Northrail project are ongoing and the Caloocan to Valenzuela stretch may be operational in April 2004.

Measures to reduce cargo costs from Mindanao to Luzon were initiated through the construction of Roll-on/Roll-off ramps in 52% of PPA ports, suspension of previously approved 35% increase in wharfage and usage fees and opening of Pier 15, South Harbor to serve domestic run ships.

Air services consultations with Singapore, South Korea, Macau, Qatar, Bahrain, UAE and Japan were held, which resulted in the opening of new routes for Philippine carriers that produced an increase in capacity entitlements and additional frequencies to the Philippines on routes to these countries.

Infrastructure. A total of 1,957 kms of national roads and 24,929 lineal meters of bridges were constructed/improved and 1,493 flood control projects were completed from 2001 to 2002.

The North Luzon Tollway Expansion Project and South Luzon Tollway Extension Project are being pursued. Widening and improvement of the expressway from Balintawak to Dau started in February 2003; Calamba-Sto. Tomas road and Lipa City-Batangas City roads will commence soon.

Power. Electricity was provided to 2,600 barangays bringing the total number of energized barangays to 36,808 out of 41,999 barangays, and attaining an 87.64% barangay-level electrification.

The mandatory rate reduction of 30 centavos/kwh was implemented effective July 2001 billing period and purchased power cost adjustment of NPC was reduced to 40 centavos per kwh which was passed on by electric distribution utilities to consumers effective June 2002 billing period.

Information and Communication Technology (ICT). Nine IT hub areas were identified where the telecommunications industry can establish high-speed networks and connectivity.

The policies for a liberalized telecommunications environment, systematic and accelerated ICT advancement were adopted for high-speed networks and connectivity to IT hub areas, retail pricing and public calling stations and telecenters.

POLITICAL STABILITY AND NATIONAL UNITY

Peace and Order. Efforts to combat high-impact crimes were pursued, lowering kidnapping incidents by 32.2% in 2002 compared to 2001. In Metro Manila where 30% of kidnappings occur, incidents have gone down by 60% since July 2002.

The newly-created Philippine Drug Enforcement Agency (PDEA) led the dismantling of four big shabu laboratories, neutralization of 1 transnational and 31 local drug syndicates and seizure of P5.03 billion worth of illegal drugs and equipment.

National Security. Increased deployment of AFP personnel in Mindanao resulted in reduced strength of the Abu Sayyaf Group (ASG) by 43% and confinement of ASG to remote areas of Basilan Province.

Intensified operations against the Communist Party of the Philippines-New People's Army (CPP-NPA) led to the decrease of the communist terrorist movement's strength by 22% from 11,930 in 2001 to 9,257 in 2002.

Armed Forces modernization was pursued with the Squad Automatic Weapon Acquisition Project worth P122 million.

Peace Process. Backchanneling efforts are being continued with the MILF with the end-view of arriving at a final peace agreement. Meanwhile, the lines of communication are still open to the NPA/NDF.

A total of P5.6 million in emergency assistance have been provided to 2,485 former NPA, MILF and MNLF rebels and some 2,610 former rebels have benefited from the Livelihood Assistance and Capability Training program at a cost of P19.2 million.

Justice System. The government facilitated the extradition of Rep. Mark Jimenez to the U.S.A., in line with our extradition treaty with that country, and supported the fair and speedy trial of cases against former President Estrada, and filed smuggling cases to thwart big-time smuggling.

GOOD GOVERNANCE

Anti-Graft and Corruption. The President issued Administrative Order No. 1 (22 January 2001) which prohibits public officers and employees from entering into certain kinds of official transactions with real, pretended or imaginary relatives of the President and the First Gentleman.

The Presidential Anti-Graft Commission was created to investigate and conduct hearings of administrative cases and complaints against all Presidential appointees in the Executive Department, and assist the President in the campaign against graft and corruption. Its major accomplishments and activities include: random lifestyle checks on government officials with the rank of director and above, including the First Gentleman; resolution of 434 cases filed against Presidential appointees, 23 of which were motu proprio cases; and investigation for possible violation by GOCCs/GFIs senior officers of MO No. 20 on pay rationalization; and resolution of case against members of the Board of Directors of Public Estates Authority leading to the issuance of Administrative Order No. 53, banning the Pea Board Members from government service permanently.

Efforts were intensified to curb agricultural smuggling. The seizure of some 348,640 bags of rice in 2002 compared to 1,023,628 bags seized in 2001 indicates a downward trend in rice smuggling.

Government officials from DPWH, PEA and LBP involved in corruption and smuggling were prosecuted resulting in dismissal and filing of criminal charges against them.

The e-Procurement Act was enacted to make the government procurement process more transparent and predictable, with minimal opportunities for graft. Likewise, the Anti-Money Laundering Act enhanced the Philippine system's detection of "dirty money," minimizing corruption in the Philippine banking system.

Anti-Red Tape. The government initiated measures to address red tape, such as the acquisition of goods, supplies and materials through the DBM Procurement Service; posting of flowcharts at the lobby of government agencies with frontline services showing the processes and steps in business transactions; and the reduction of signatories and processing time of various clearances, licenses and permits.

LGUs also established Customer Complaints Desks and One-Stop Shops to improve business-related processes, and improved Civil Application Systems.

The Government Website Development Program (GWDP) was implemented to improve public access to information about the government.

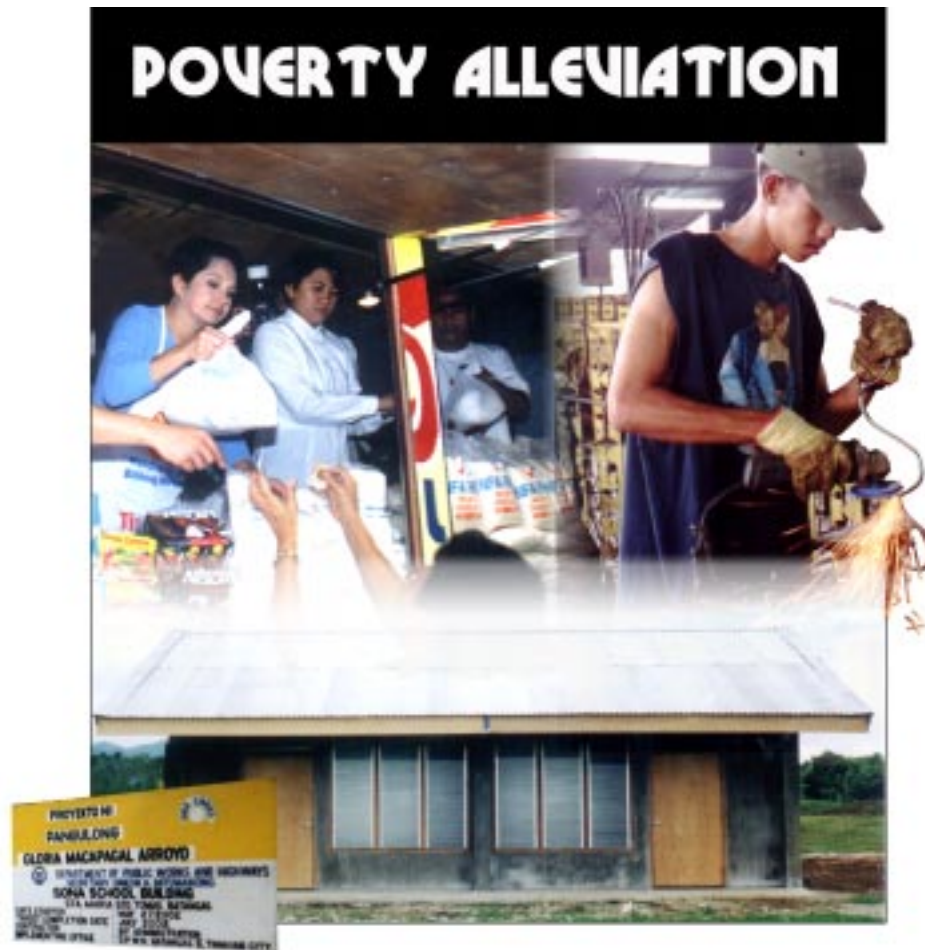
Streamlining the Bureaucracy. The bureaucracy was re-engineered for better and more efficient service delivery through the rationalization of the OP structure by virtue of EO 72, s. 2002, effecting the abolition of 69 OP attached agencies and transfer of 13 agencies.

INTERNATIONAL RELATIONS

To ensure peaceful resolution of territorial and jurisdictional disputes in the South China Sea, the government signed the Declaration on the Conduct of Parties in the South China Sea. Initiatives to fight terrorism were also pursued through the Trilateral Agreement on Information Exchange and Establishment of Communication Procedures with Malaysia, Indonesia, Cambodia and Thailand and the Mutual Legal Assistance Treaties with Australia and the United States. The government adopted a 16-point policy and action steps against terrorism to assist the international coalition in the larger arena of counteraction.

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Hindi sapat ang pag-unlad kung hindi nito mapabubuti ang kalagayan ng ating mga kababayan, lalung-lalo na ang mahihirap.

President Gloria Macapagal-Arroyo

Housing

- Provided shelter security to 253,070 urban poor households through Presidential Proclamations declaring public lands as alienable and disposable for housing purposes from July 2001 to January 2003.
- Provided housing and slum upgrading services to some 189,338 very poor and workers' households from June 2001 to February 2003.
- Pursued initiatives to jumpstart the housing sector:
 - Increased loan-to-collateral ratio which in effect removed equity for loans up to P500,000.

Loan Amount	New Ratio w/Buyback Guarantee	New Ratio w/out Buyback Guarantee
Up to P150,000	100%	100%
Over P150,000 to P225,000	100%	100%
Over P225,000 to P500,000	100%	90%
Over P500,000 to P1M	90%	80%
Over P1M to P2M	90%	70%

- Lowered interest rates as follows:

P150,000 and below	6%	(from 9%)
Over P150,000-P225,000	9%	(from 12%)
Over P225,000-P500,000	10%	(from 12%)
Over P500,000-P2,000,000	12%	(from 14-16%)

- Generated P7.0 billion in face value amount of Home Guaranty Corporation (HGC) Zero Coupon Bonds, helped by BSP Circular No. 356 allowing HGC bonds to qualify as alternative compliance with the Agri-Agra Law. Proceeds of the sale of the bonds will reduce outstanding guarantee calls from P9.46 billion to P2.46 billion, so more mortgage guarantees can be given.
- Reduced from 90 days to 30-45 days processing time for the issuance of housing-related permits and ECCs for priority projects such as socialized housing.

Food Security

- Allocated for agriculture and fisheries modernization P29.75 billion in 2001, of which P24.21 billion was utilized, and P33.8 billion in 2002, of which P21.7 billion was utilized.
 - Irrigation. Generated 48,120 hectares and rehabilitated 334,371 hectares
 - Post-Harvest Facilities. Distributed 760 post-harvest machineries/equipment and constructed 1,089 facilities
 - Other Infrastructure. Completed 1,045 farm-to-market roads, established mariculture park in Samal, Davao City, constructed/improved/expanded 6 municipal fish ports and 7 block ice plant and cold storage facilities
 - Credit. Granted loans amounting to P20.70 billion for 670,048 farmers/fisherfolk and guaranteed about P680 million worth of loans for 65,868 farmers and fisherfolk
 - Marketing Assistance. Participated in/conducted 20 international and 110 local trade fairs/exhibits/selling missions; facilitated 305 market matching activities; formed three business alliances among 40 cooperatives; and launched internet-based marketing through B2Bpricenow.com
 - Research and Development. Implemented 540 R&D projects, 112 of which were completed, and upgraded 43 R&D facilities; awarded 31 degree and 34 non-degree R&D scholarships; generated 32 new technologies and established 411 techno demo cooperators
 - Capability Building. Conducted 11,003 training sessions; produced/distributed 1,544,235 information, education and communication materials
 - National Information Network. Launched and regularly updated DA Web Page which includes links with 21 agencies; distributed 15,758 copies of agriculture/fisheries statistical reports.
 - Salary Supplement. Granted monthly incentive allowance to 34,034 LGU extension workers
- Enhanced rice security by opening up the industry to importation, where deemed necessary, while at the same time strengthening government support to farmers to increase farm productivity and incomes through, among others, the adoption of modern farming technologies.
 - Allocated some 117,725 metric tons of imported rice in 2002 for farmer-organizations (FOs) to distribute, in preparation for their participation in rice importation in 2003. For 2003, allocated to FOs 50% of the 800,000 MT of rice to be imported, at 500 MT per FO.
- Promoted certified and hybrid rice production
 - Certified seeds. Planted a total of 1.3 million hectares to certified seeds during the dry and wet seasons, of which 82% or 1.1 million hectares of the total area were harvested. At an average yield of 3.86 MT per hectare, priced at P7.67 per kilogram, net return per hectare is P11,162.

- Hybrid seeds. Planted a total of 27,877 hectares to hybrid seeds, of which 70% or 19,478 hectares were harvested. At a conservative yield of five MT per hectare, a farmer's net return is estimated at P24,763 per hectare.
- Increased palay production by 2.1% from 12.95 million MT in 2001 to 13.22 million MT in 2002, which is at 93% sufficiency level.
- Completed and inaugurated the Mal-Mar Irrigation dam in September 2001, which generated 6,256 hectares benefiting 4,549 farmers.
- Negotiated successfully with the Korean government for the reduction of tariff for Philippine bananas from 50% to 40% effective January 2003.
- Established 469 stationary stores and accredited 1,503 rolling stores, 1,062 of which were deployed nationwide, particularly in depressed areas.
- Continued implementation of the Coconut Farmers Food Access Program where basic commodities are sold at low prices through NFA outlets and provided livelihood and credit assistance benefiting 229,503 farm-families in 57 provinces. In addition, distributed 462,041 COCOLIFE upgraded insurance policies among the targeted 1,020,088 farmer-beneficiaries.
- Set to release P700 million coco levy funds for small coconut farmers: (a) P100 million for microfinance to be managed by PCFC, (b) P300 million for Land Bank's micro-lending program, (c) P200 million for farm diversification/intercropping assistance, (d) P100 million for direct copra marketing assistance.
- Pushed for the enactment of a bill allowing farmer-beneficiaries to use awarded land as collateral in availing of loans to stimulate investments in the agriculture sector.
- Increased fishery production by 3.22% from 3.1 million MT in 2001 to 3.2 million MT in 2002, which is placed at 80% sufficiency level. This may be attributed to several interventions under the program such as the establishment, maintenance and upgrading of 29 fish laboratories, 119 seaweed nurseries and 72 seacages; completion of three municipal fish ports; installation of seven ice plant facilities; provision of training to 63,734 fisherfolks; and production/distribution of quality broodstock/fingerlings.

Agrarian Reform

- Distributed 324,721 hectares of public and private land from January 2001 to February 2003, including large private landholdings that had earlier been the focus of much contention such as the Hacienda delos Reyes in Brgy. Imok, Calauan, Laguna, covering 101 hectares.
- Covered 34,044 hectares under leasehold contracts for physical possession and management of 18,428 farmers. Since 1964, the total area placed under leasehold is 1.52 million hectares, turning 1.12 million farmers into leaseholders.
- Distributed four Certificate of Ancestral Domain Titles in Bakun, Benguet; Lanuza, Surigao del Sur; Ocampo, Camarines Sur; and Boston, Davao Oriental covering 65,505 hectares.
- Worked for the passage of Republic Act No. 9176, or the Free Patents Law, which responds to the clamor of the people to expedite the administrative titling of lands to legitimize their claim, determine actual occupancy, promote rural productivity, prevent social unrest, and alleviate poverty.
- Launched 237 new Agrarian Reform Communities (ARCs) to optimize the allocation and use of limited resources for the provision of development interventions/support services such as infrastructure, credit, training, extension and community organizing. This brings to 1,543 the total ARCs launched since 1993.

- Established 69 one-stop Farmers Bayanihan Centers for Rural Development nationwide, which integrate and rationalize the “software” components of program beneficiaries development such as social infrastructure and local capacity building, agricultural production, and rural enterprise development of farmer-beneficiaries within and outside the ARCs. This is undertaken in partnership with State Universities and Colleges and other rural development institutions.
- Handled/resolved 40,638 cases/disputes arising from agrarian laws implementation through judicial and administrative procedures and 34,182 cases through the DAR Adjudication Board (DARAB).

Jobs and Livelihood

- Generated 1,374,660 jobs in the agriculture and fisheries sector from July 2001 to December 2002, broken down as follows:

➤ Irrigation:	71,075
➤ Post-Harvest Systems:	7,128
➤ Other Infrastructure:	30,993
➤ Credit:	297,528
➤ Production-Based Activities: (e.g. rice, corn, fisheries)	967,936
- Provided microcredit amounting to P928.58 million to some 465,599 new women borrowers from July 2001 to October 2002. The People's Credit and Finance Corporation also extended credit to a total of 770,000 poor borrowers, representing 77% of government's target of one million poor households provided with credit assistance by 2004.
- Provided emergency employment to 30,000 Out-of-School-Youths (OSYs) in Metro Manila and 48,522 OSYs in Region IV from July 2001 to December 2002. Skills and livelihood training to 13,622 OSYs nationwide were also provided from July 2002 to January 2003 under Project OYSTER (Out-of-School Youth Serving Towards Economic Recovery).
- Facilitated the deployment of 1,757,480 Filipino workers to more than 165 overseas destinations in 2002. OFW remittances from January 2001 to December 2002 reached a total of \$12.96 billion.
- Established the OFW Provident Fund (SSS-Flexi Fund) to provide OFWs with social protection and services for life, retirement, medical and/or emergency loan needs. Some 18,859 OFWs, mostly from Hong Kong, Jeddah, Qatar, Milan and Rome, are enrolled in the Provident Fund. The Fund is currently accepting new accounts in various places across the world, such as: Brunei, Saipan, Malaysia, Taiwan, Kao Hsiung, Los Angeles, San Francisco, Riyadh, Jeddah, Al Khobar, Abu Dhabi, Kuwait, Qatar, Rome and Milan.
- Reduced by half the processing time of employment contracts and accreditation of land-based and sea-based workers.
- Organized 167,915 OFW-families into cooperatives, workers associations and mutual support groups with the assistance of partner NGOs. This is geared towards the establishment of a nationwide network of OFW-families and dependents that shall serve as a vehicle for the delivery of government services.
- Placed 1,483,618 jobseekers in 2001 and 2002 through job fairs, PESOs and private recruitment and placement agencies.

- Maintained industrial peace by raising the conciliation success rate from 94.3% in 2001 to 96.3% in December 2002 resulting in only 36 strike incidents in 2002, the country's lowest strike incidence in 21 years, and amicably settled 12,933 or 44% of the original 29,699 arbitration cases filed at the Regional Arbitration branches.
- Provided various assistance, such as facilitation of payment of separation benefits, retraining and upgrading and emergency employment services to 62,690 displaced workers in 2002.
- Launched the DOLE-SSS-PS Bank Project for the Informal Sector Workers which shall provide social security benefits to workers in the informal sector (WIS). A total of 1,866 WIS have enrolled with SSS in five pilot sites: Caloocan, Las Piñas, Manila, Muntinlupa and Pasay.
- Assisted a total of 25,395 deportees from Sabah through the establishment of a DOLE Special Employment Assistance Center. Deportees were provided assistance in the documentation and processing for re-employment and skills training services.
- Established the Computerized National Manpower Registry of Skills (CNMRS) which provides a list of available skilled persons. As of December 2002, the registry contained 931,000 skills. CD ROM copies of the CNMRS were distributed to employers and licensed agencies during the First International Employers Award (FIEA) in 2002.
- Pursued efforts to raise middle-level manpower skills competencies in the country to international standards and enhance employability of Filipino workers through the following:
 - Development of 48 competency standards and training regulations for priority occupations (e.g. food processing, care-giving, performing artists).
 - Registration of 2,577 new programs in various technical-vocational fields and training of 1,515,115 persons in these courses, of which 309,955 were certified as skilled workers.
 - Launched the Bayanihan Saving Replication Project, a grassroots microfinancing system program of the Department of the Interior and Local Government, which aims to generate livelihood and develop savings-consciousness among the communities and reorient values towards service to fellowmen and the community.

Health

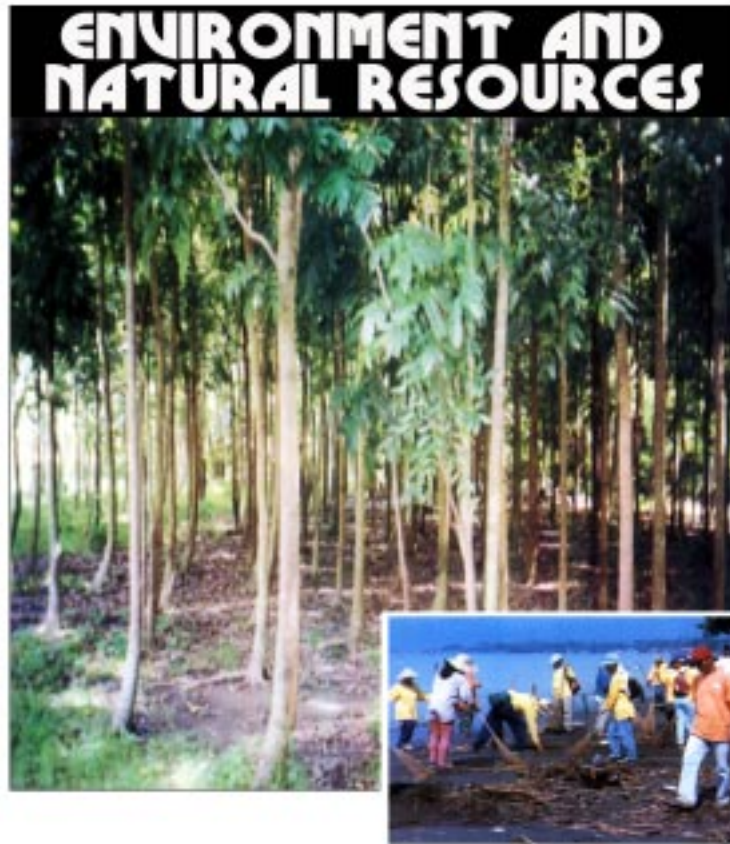
- Imported 42 low-cost, frequently used medicines worth P75 million which were made available in 76 DOH hospitals; P14.6 million worth of the drugs were sold.
- 108 LGU hospitals and 4 agencies provided P59 million worth of imported drugs.
- Made available over-the-counter and herbal medicines in 274 Botikas ng Barangay (BnB) and all NFA rolling stores nationwide.
- Enrolled 1,296,614 urban and rural poor families or about 6.4 million beneficiaries under the National Health Insurance Program as of February 2003.
- Immunized 12 million children (102.7% of target) against polio during the nationwide "Balik Patak Kontra Polio" program.
- As a result of government's massive campaign against dengue in barangays, the number of dengue cases dropped by half in 2002 compared to those reported in 2001.

Education

- Constructed 555 school buildings in line with the program to provide school buildings in unserved barangays. Of the 600 targeted for July 2002-June 2003, construction is ongoing in 19 sites.
- Procured 53.2 million textbooks for all public schools for priority subjects in Grades I to IV and 1st to 2nd Year High School students, of which 50.5 million have been delivered benefiting 16.8 million students. Some 44 million textbooks are targeted for procurement for SY 2002-2003. Textbook program aims to achieve a 1:1 textbook-to-pupil ratio by SY 2003-2004 across all core subject areas in Grades I-VI and High School Years one-two and a 1:2 ratio for High School Years three-four for English, Filipino, Science, and Araling Panlipunan. As of end December 2002, a 1:1 Mathematics textbook-to-pupil ratio has already been achieved for High School Years one-three.
- Implemented the Basic Education Curriculum (BEC) to rationalize subject areas in elementary and high school levels from eight to five to focus and provide more contact time for Science, Mathematics, English, Filipino, and Makabayan. Some 583,178 public and private school teachers were trained nationwide.
- Distributed about 20,000 Personal Computers to nearly 1,000 public high schools nationwide under the PCs for Public High Schools Program.
- Redirected technical-vocational education and training towards poverty alleviation by providing scholarships to 18,248 poor but deserving students. Some P559.5 million was provided for scholarships and student loan programs to a total of 41,346 scholars nationwide to ensure access of poor but deserving students to quality higher education.

Social Services

- Implemented the Administration's anti-poverty strategy known as KALAH! Program ("Kapit-Bisig Laban sa Kahirapan) in 40 provinces, covering 285 barangays. The program involves the fast-tracked delivery of social services to urban poor communities to address their immediate and long-term needs.
- Served under the CIDSS Program (Comprehensive and Integrated Delivery of Social Services) some 303,482 families in 190 urban poor communities, 3,624 barangays in 79 provinces and 36 special communities (Indigenous Peoples). The program aims to empower targeted families and communities to enable them to meet their minimum basic needs.
- Implemented the Early Childhood Development (ECD) Project to benefit 2,048,623 children in 13 provinces nationwide. The project is designed to enhance the quality and coverage of essential health, nutrition, psychosocial development and early education services for 0-six year old children.
- Implemented the Self-Employment Assistance-Kaunlaran (SEA-K) program to benefit a total of 23,755 families nationwide, providing a total of P115.8 million for capital buildings, seed money assistance for micro enterprise, home improvement and housing construction as of January 2003. The program aims to provide the poor and disadvantaged sector of society with timely access to credit and development opportunities.



My administration is more resolute in its commitment to strictly enforce policies meant to restore ecological balance.

President Gloria Macapagal-Arroyo

Protection/Rehabilitation of Natural Resources

- Rehabilitated 25,954 hectares of open and denuded areas.
- Confiscated 13,105 cu.m. of illegally cut forest products valued at P43 million, or 9 percent higher than 2001; and filed 223 cases in court against forestry laws violators, which is 13% higher than the 198 cases in 2001. The decline is attributed to more aggressive enforcement of forestry laws in the country.
- Facilitated and proclaimed five protected areas: Mt. Isarog National Park, Bulusan Volcano Natural Park, Northwestern Panay Peninsula Natural Park, Mt. Malindang Natural Park and Initao Protected Landscape.
- Reforested 820 hectares of denuded areas in the La Mesa Dam watershed through the Save the La Mesa Watershed Project in cooperation with the Bantay Kalikasan Foundation.
- Rehabilitated 2,221 hectares of degraded mangrove areas under the JBIC-funded Mangrove Reforestation Program.

Safeguarding the Quality of the Environment

- Solved the escalating problems of pollution, criminality and insurgency, health and safety hazards, social dislocation and injustice in the Diwalwal area by issuing Proclamation No. 297 on 25 November 2002 declaring the area as mineral reservation and an environmentally critical area, with some parts open to enable small-scale miners to draw income from mining activity.

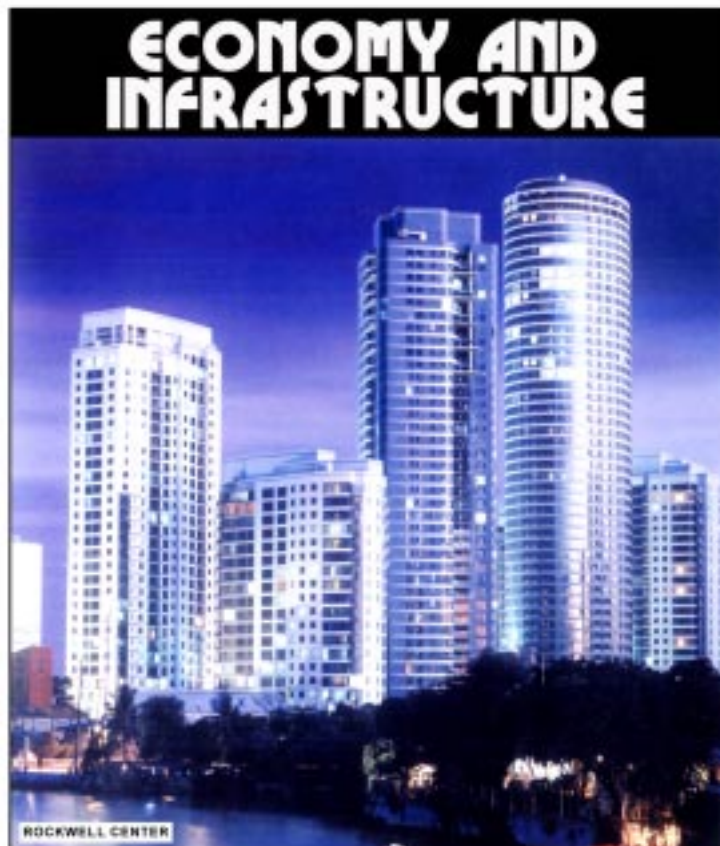
- Decreased the importation of Ozone Depleting Substances (ODS) to 91%, 60%, and 32% of the quota for years 2001, 2002, and 2003, respectively. In coordination with the Bureau of Customs (BOC), raided a warehouse containing 29.84 tons of illegally imported ODS amounting to P2.56 million, the first seizure of ODS made ever.
- Issued nine Cease and Desist Orders (CDOs) to violators of PD 984 (Pollution Control Decree of 1976) and denied the ECC application of the Clinker Cement Plant in view of harmful effects to the environment and the population.
- Streamlined the EIS System, resulting in the reduction of processing time of Environmental Compliance Certificates (ECCs) applications by an average of 40%. Issued 49 ECCs for environmentally critical projects.

Solid Waste Management

- Initiated programs to unify garbage collection system in Metro Manila such as door-to-door collection and required garbage collection contractors to commit the day and time of collection in their assigned garbage collection route.
- Implemented Market Waste Reduction Program in 17 markets, Special Waste Reduction Projects “Basura Palit Bigas” where garbage can be exchanged for equivalent value of rice, Solid Waste Management System project for recovery of dry recyclables in three pilot sites involving 64,074 households.
- Conducted campaigns to promote use of recyclable materials and conducted information, education, and communication campaign on solid waste segregation through workshops, educational modules and radio and TV ads.

Water Supply/Service Provision and Sanitation

- Increased by 4% the number of residents in the East and West concession areas receiving potable water service from 9.4 million in 2001 to 9.8 million in 2002. About 218 kms of new distribution lines to the East Distribution Network and 70 kms to the West Zone were installed translating to 100,000 new serviced households in the East Zone and 47,525 new households in the West Zone.
- Improved coverage of customers with 24 hours a day, seven days a week water supply from 60% in 2001 to 92% in 2002. Average water supply availability in the whole concession area is 21 hours daily on the average.
- Increased average water production from 3,906 million liters per day (MLD) in 2001 to 4,065 MLD in 2002.
- Completed major foreign-assisted water supply projects to address the increasing water demand in the country’s growing cities: Cotabato City Water Supply Expansion; Calamba, Laguna Water District Expansion; Kalibo, Aklan Water System Construction – Phase II; Cagayan de Oro City Expansion – Phase III.
- Provided new loans amounting to P600 million to 69 water districts for the expansion and rehabilitation of existing water systems throughout the country. The rehabilitation of existing water systems of 47 water districts nationwide was completed, amounting to about P246 million, benefiting an estimated 200,000 water users through a 24-hour service of adequate potable water supply and improved system pressure.
- Completed four out of the eight World Bank funded projects under the Manila Second Sewerage Project, with a total project cost of P176 million, to upgrade and expand aging sewerage systems for better service and wider sewerage and sanitation coverage.



The 2002 growth rate is the strongest economic performance of the country since the 1997 Asian economic crisis. But for the growth rate to be felt by the Filipino people, especially the underprivileged, it must be translated into social equity.

President Gloria Macapagal-Arroyo

Macroeconomy

- Posted improved Real GDP and GNP growth for the year 2002, expanding to 4.6% and 5.2% respectively, exceeding government's whole year projection of 4.0-4.5% for Real GDP and 4.5-5.5% for Real GNP. This is the highest growth rate since the Asian financial crisis in 1997.
- Achieved historic low inflation rates in 2002. Average inflation rate decelerated to 3.1% in 2002 from 6.1% in 2001.

The average inflation rate for the first quarter of 2003 is 2.9%, lower than the 4.5% - 5.5% inflation target for the year 2003.

- Maintained interest rates at around 5% in 2002, compared to 9.8% in 2001, well below the revised official projection of 8%. From January to February 2003, interest rates settled at 5.33% compared to 7.55% in the same period in 2002.
- Maintained a generally stable peso-dollar exchange rate in 2002 as the peso-dollar rate averaged P51.60/US\$1. Although recently affected by geopolitical factors and fiscal concerns, the peso remained fundamentally supported by healthy foreign reserves level and improving external balance. For the first quarter of 2003, peso-dollar exchange rate averaged P54.08/US\$1.
- Sustained increases in Gross International Reserves (GIR), with GIR reaching US\$16.153 billion by the end of December 2002, higher than the end-December 2001 level of US\$15.658 billion. End-March 2003 GIR stood at US\$15.981 billion.

Fiscal and Finance

- Maintained the deficit level of P212.7 billion in 2002 (5.6% of GDP), lower than the revised ceiling of P223 billion but significantly higher than the original projection of P130 billion. Total revenues for the year amounted to P566 billion as against the target of P624.3 billion. Both the BIR and BOC fell short of their targets despite increasing collections in the last quarter. For 2003, the gov't hopes to keep the deficit at 4.7% of GDP, or P202 billion. From January to February 2003, BIR collected P61.26 billion, short of its target of P64.7 billion by about 5.3%. BOC, on the other hand, raised P17.712 billion from January to February 2003, thereby exceeding its target of P14.7 billion by 27.4%. Necessary measures to increase BIR revenue collection were instituted, like the Voluntary Assessment Abatement Program, Documentary Stamp Tax On-Line, expanded coverage of credible withholding tax, and BIR-on-wheels.
- Generated a substantial P1.5 billion in gross remittances from privatization in 2002 despite economic difficulties, bringing to P129.2 billion the total remittances from privatization as of 31 December 2002.
- Cancelled about US\$63 million worth of loans from creditors, saving for the government US\$471,783 in commitment charges.
- Managed several multilateral and bilateral conferences and participated in loan negotiations led by the DOF resulting in the signing of ODA loan and grant agreements totaling US\$1,165.83 million projects in 2002. Infrastructure development projects will receive 57.4% of the ODA and the rest will be allocated to social reform and development, agriculture, agrarian reform and natural resources, governance and institution development, and industry and services.
- Signed into law the Special Purpose Asset Vehicle (SPAV) Act to help liquidate non-performing loans (NPLs) as well as foreclosed assets and replenish beleaguered loan portfolios of banks with fresh capital that may subsequently be released and utilized to fund developmental and social projects such as housing.
- Certified Securitization Bills (SB 2092 and HB 2759, 2733) for immediate enactment to create the necessary infrastructure to establish a market environment for a wide range of asset-backed securities.

Investments

- Total approved Foreign Direct Investments (FDIs) in 2002 amounted to P46 billion or 26% lower than the P62.4 billion in 2001. In spite of the enormous growth recorded by CDC (1840%) and SBMA (160%) in 2002, the declines reported by BOI and PEZA resulted in the overall negative growth in total approved FDIs.
- Approved 415 investment projects in 2002 involving P55.80 billion which are expected to create 66,666 jobs. Top project proposals were:
 - Coral Bay Nickel Corp - P8.72 billion for the manufacture of nickel/cobalt mixed sulfide
 - Fujitsu Computer Products of the Philippines - P2.882 billion to fund manufacture of media level servo track writing (MLSTW) at the Camelray Industrial Park I Special Economic Zone and is estimated to generate annual export of \$820 million and 2,000 new jobs.
 - Globe Telecom Inc. - P2.25 billion for infrastructure and telecom facilities
 - Hi-Tech Bioenergy Inc. - P1.716 billion for waste handling facility
 - Laguna AAA Water Corporation - P1.69 billion to fund the water supply, treatment and distribution project in Sta. Rosa and Cabuyao, Laguna.
- Approved 15 new economic zones and proclaimed 11 zones.

Foreign Trade

- Registered US\$5.608 billion in total external trade in goods as of January 2003, which is 20.8% higher than the US\$4.641 billion achieved in January 2002. Balance of trade indicates positive exports growth of 2.3% and a healthy imports growth of 45.1%.
- Registered US\$32.15 billion worth of exports in 2002 higher than the US\$29.505 billion exports registered in 2001. Philippine exports to the People's Republic of China increased by 77%; Malaysia, 48%; Hong Kong, 45%; Korea, 31%; Taiwan, 17%; and Singapore, 6%. Top merchandise exports were electronic components (54.1%), machinery and transport (20.28%), garments and textile (7.37%). In January 2003, exports registered US\$2.69 billion, higher than the US\$2.63 billion exports in the same period last year.

Domestic Trade and Industry

- Formulated the Micro, Small and Medium Enterprises Plan to create a seamless and one-stop system with uniform application forms, criteria, and loan amount modules under a single-branded program, guided by key strategic concepts: (a) comprehensive and integrated approach to SMEs; (b) seamless access to government services; (c) virtual organization integrated by a strong brand; (d) supply side push (i. e. financing) thru NG directive projects; and, (e) plan localization.
- Promoted SME development:
 - Allocated P10 billion from GFIs to finance SME programs over six months, with P10-20 billion more available in subsequent months. For January-February 2003, a total of P1.9 billion was released to MSMEs by LBP, DBP, SBGFC, Philexim Bank, Quedancor, NLSF and PCFC. Of the total amount released, P738.96 million were wholesale loans to thrift banks and rural banks and P1.12 billion were retail loans released directly to SMEs.
 - Amended Monetary Board regulations to lower credit costs and increase availability of funds for SMEs: a) deferred by 1 year the implementation of the common rate of 91-day T-bill interest rate from 91-day T-bill minus 1%; b) lowered and standardized at 6% the reserved requirement on NOW (negotiable order of withdrawal) accounts; c) reduced risk weight applicable to qualified SME loan portfolio from 100% to 75%.
 - Issued E.O. 176 institutionalizing the “Isang Bayan, Isang Produkto, Isang Milyong Piso” program in February 11, 2003 to stimulate local economic activity.
 - Signed into law the Barangay Microbusiness Enterprises Law on 13 November 2002 to bring the underground business into the ambit of the formal system.
- Merged the Guaranty Fund for Small and Medium Enterprises (GFSME) and Small Business and Guaranty and Finance Corporation (SBGFC) to provide a more stable equity base for SME financing. In 2002, SBGFC, the surviving corporation, approved P1.2 billion in credit support to SMEs, representing more than double the combined approvals of the two corporations in 2001. A total of P1.05 billion was also granted under the wholesale and retail lending programs of SBGFC. On the other hand, Land Bank released a total of P14.5 billion to MSMEs, which is 9% higher than the P13.3 billion recorded in December 2001.
- Approved guarantees for 86 loan accounts with Small Business Guarantee and Finance Corporation (SBGFC) amounting to P270.46 million since the restoration of the policy of providing guarantees to SMEs in August 2001.

- Provided funding assistance to micro-enterprises benefiting 15,954 families and home improvement/housing construction benefiting 312 families under the Self Employment Assistance-Kaunlaran program being implemented nationwide.
- Issued E.O. 156 in December 2002 to provide a comprehensive industrial policy and directions for the motor vehicle development program.
- Launched in May 2002 the Small Enterprises Technology Upgrading Program (or SET-UP) with an allocation of P100 million, to enhance the productivity and competitiveness of small and medium-scale enterprises (SMEs) through technology application/upgrading. The program, which provides opportunities to strengthen backward linkage with farmers and forest product producers and gatherers in the supply of raw materials to the SMEs, contributes to livelihood and job creation especially in rural areas, and ultimately to economic growth and poverty reduction in the country. To date, some 6,217 firms have benefited from SET-UP.
- Developed a web-enabled Business Name Registration System (WEBNRS) to facilitate on-line business name approvals.

Tourism

- Promoted Visit Philippines 2003, Visit Island Philippines and Tourism Volunteer 12 to utilize the more than seven million Filipinos abroad to promote tourism by asking them to send home one tourist each per year. Due to these efforts, visitor arrivals to the Philippines in 2002 rose to 1.93 million, 7.7% increase from 1.79 million in 2001, translating into tourism receipts of about US\$1.64 billion, with the United States as the Philippines' biggest market (21% of total visitors).
 - For January and February 2003 tourist arrivals totalled 174,728 and 162,626, respectively, representing an increase of 13.2% and 6.0% respectively compared to the same period last year.
- Launched the WOW Makati Campaign in January 2003 in line with the Make Makati the Shopping Capital of Asia program and promoted the 4 Days/3 Nights "More Than The Usual" Shopping Experience campaign. These activities coincided with the WOW Philippine Grand Fiesta Sale from January 15-31 where 60 of the biggest shopping malls simultaneously offered as much as 80% discounts.
- Developed Laoag/Vigan, Baguio/Banaue, and Bohol as premiere tourist destinations by completing roads, port and airport facilities in these areas.
 - Pursued the development of a tourism estate along Roxas Boulevard to lodge the Bagong Nayong Pilipino. The project involves the conversion of 67 hectares of land into the theme park, hotel/leisure complex, retail shops and commercial area. Site selection, project fund sourcing and development plan preparation for the Bagong Nayong Pilipino Heritage Park are currently being worked out by DOT, in coordination with PAGCOR, PEA and Nayong Pilipino Foundation.
- Secured the endorsement of the World Tourism Organization (WTO) to name 2003 as "Visit Philippines Year" (VPY 2003) and coordinated various tourist-related activities in support of VPY 2003, such as the preparation of a synchronized national calendar of events, restoration of Intramuros as the focal point of the VPY 2003 festivities, showcasing of Makati as a primary shopping, sight seeing and nightlife destination, and the creation of regional tour packages to boost international and domestic tourism in each province.

Transport

Land Transport

- Maintained the present levels of transportation fares so as not to burden the economy and the Filipino masses despite increase in prices of oil products and spare parts and notwithstanding petitions for fare hike and agitations by militant transport groups.

- Mass Transit Lines

LRT Line 1 Capacity Expansion Project II

- For Package A, purchase of 12 additional air-conditioned 4-car trains; additional civil works on-going
- For Package B, airconditioning of old fleets on-going; Target completion is April 2004

Metro Manila Strategic Mass Rail Development (Santolan, Pasig City to Recto)

- Phase 1 (Santolan-Cubao) to be operational in April 2003
- Phase 2 (Cubao-Recto) to be operational in April 2004

MRT 3 Phase II (North Ave. to Monumento)

- Supplemental agreement between DOTC and Metro Rail Transit Corporation shall be subjected to price test or “Swiss challenge” in accordance with section 4-A of the BOT law. Terms of Reference (TOR) for the “Swiss Challenge” being prepared.

LRT Line 1 South Extension Project (Baclaran to Bacoar)

- Environmental Clearance Certificate in process with DENR

MRT 4 Phase 1 (Old Bilibid-Quezon Avenue-Batasan)

- Revised proposal being reviewed by DOTC prior to re-endorsement to the NEDA-ICC for evaluation/approval; target completion – 2007

- Northrail Project (initially Caloocan to Malolos, Bulacan)

- Around 500 families in Caloocan to be relocated by end-April; 16,097 families in Malabon, Valenzuela and Bulacan to be relocated starting September 2003.
- Target date of construction is September 2003 in areas already cleared of informal settlers; partial operations (Caloocan-Valenzuela) to begin by April 2004, while commercial operations (Caloocan-Malolos) shall begin by June 2006.

- Southrail Project (CALABARZON)

- Loan application submitted to Korean government in March; construction targetted in July 2003

- Transported a total of 4,357,085 Philippine National Railways passengers composed of 264,553 long-distance passengers to and from Bicol and 4,092,253 commuters in and around Manila.

- Implemented the Information Technology Project under the Build-Own-Operate (BOO) scheme, which will interconnect 250 Land Transportation Offices nationwide and automate and integrate the agency’s critical business processes and enable on-line transaction processing.

- Fully implemented the Drug Testing Program for driver's license applicants to protect road users from accidents and other road hazards.

Water Transport

- Initiated the following measures to reduce cargo costs from Mindanao to Luzon:
 - Opened on 31 March 2003 the 919-kilometer Strong Republic Nautical Highway covering 17 cities, towns and islands that will reduce cost and travel time from Luzon to Mindanao using roll-on/roll-off (RoRo) vessels.
 - Issued EO 170, which provides the policy framework for the promotion of private sector participation/investment in the Road RoRo Terminal System (RRTS) in the country
 - Completed construction of RoRo ramps in 52% of ports under the Philippine Ports Authority and pursued construction in the different areas of the country while at the same time providing incentive package and cheaper ship financing to entice shipping companies to expand and modernize the RORO vessel fleet.
 - Suspended previously approved 35% increase in wharfage and usage fees and opened Pier 15, South Harbor on 16 January 2003 to serve domestic run ships.

Air Transport

- Held air services consultations with Singapore, South Korea, Macau, Qatar, Bahrain, United Arab Emirates and Japan and which resulted in new routes for Philippine carriers that increased capacity entitlements and additional frequencies to the Philippines on routes to these countries.
- Initiated development of new airports in Iloilo and Laguindingan, Misamis Oriental and completed the Laoag International Airport (terminal building and arrival/departure area) and Vigan Airport (terminal building, including water system) projects. Existing airports in Mactan, Antique, Jolo, and other numerous airports were also developed through the following: rehabilitation, widening and concreting of runways; building of new and rehabilitation of existing terminal buildings; construction of security fences; and removal of obstruction on the runway.
- Improved safety and efficiency of the air transportation system and retained the Category 1 rating of the Philippines based on the outcome of the re-assessment of the U.S. Federal Aviation Administration on the Air Transportation Office's oversight capability as required by ICAO. Proficiency training for air traffic controllers was conducted.

Infrastructure

- Constructed/improved a total of 1,957 kms of national roads and 24,929 lineal meters of national bridges which include the Pan-Philippine Highway connecting Region II and the eastern part of Central Luzon to Metro Manila via the North Luzon Expressway; Nasugbu-Batangas City Road; Palawan North Road from Langogan to Roxas; Maslog-Buenavista Road in South Samar; and West Leyte Project from Malitbog-Tomas Oppus, Leyte and Baybay to Bato, Leyte.
- Initiated implementation of the "Program of Road Development to Improve Law and Order", involving the construction and improvement of vital roads in critical areas, such as the Basilan Circumferential Road, Sulu Transcentral Road, Zamboanga City-Pagadian Road, and Abra-Kalinga Road.
- Completed 1,493 flood control projects, such as the West of Manggahan Flood Control, Ormoc Flood Mitigation Project, and Pinatubo Hazard Urgent Mitigation Project to prevent tragic loss of lives and livelihood.

- North Luzon Tollway Expansion
 - Widening and improvement of expressway from Balintawak to Dau started in February 2003
- South Luzon Tollway Extension will commence soon
 - Calamba-Sto. Tomas
 - Lipa City-Batangas City

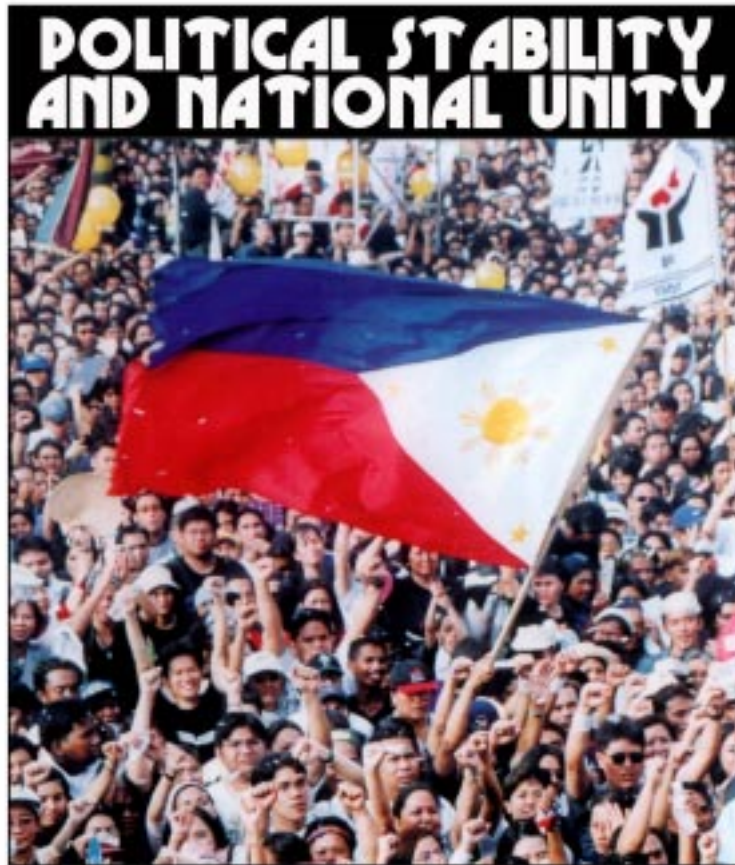
Power

- Provided electricity to 2,600 barangays bringing the total number of energized barangays to 36,808 out of 41,999 barangays, and attaining an 87.64% barangay-level electrification. Among the barangays energized are those in priority areas such as Lake Lanao, Masbate, Siargao, Sultan Kudarat and Camp Abubhakar.
- Implemented mandatory rate reduction of 30 centavos per kwh effective July 2001 billing period.
- Reduced purchased power cost adjustment of NPC to 40 centavos per kwh which was passed on by electric distribution utilities to consumers effective June 2002 billing period.
- Provided large industrial/commercial end-users pricing incentive in incremental electricity consumption through the Special Package to Enhance Electricity Demand (SPEED). These large users were granted a 50-centavo per kwh discount on incremental consumption until 2004.
- Constituted all bodies required under the Electric Industry Reform Act: Steering Committee to formulate IRR; National Transmission Corporation (TRANSCO) which will acquire all transmission assets of NPC; Power Sector Assets and Liabilities Management Corporation (PSALM) which will assume all assets and liabilities of NPC; Energy Regulation Commission which replaced the ERB. Implementing Rules and Regulations of R.A. 9136 or the Electric Power Industry Reform Act (EPIRA) were promulgated in March, further reinforcing reforms in the power sector.
- Promulgated the rules for the Wholesale Electricity Spot Market (WESM) where trading of electricity will take place. The WESM rules set the responsibilities of the market operator, system operator, WESM participants and the Philippine Electricity Market Board.
- Reviewed and initiated consultations with 18 firms/consortia on 32 IPP contracts. Substantial agreements were reached with eight firms representing 16 contracts with total expected savings amounting to US\$850 million in net present value terms, 10% of NPC stranded cost.
- Implemented restructuring program for electric cooperatives pursuant to EO 119 ("Restructuring Program for Electric Cooperatives") issued in August 2002. NEA assumed management of ten inefficient and problematic electric cooperatives to revive and shepherd them back to viable operations.
- Implemented Task Force "Kapatid", whereby electric cooperatives voluntarily assist other ECs in energizing critical areas.
- Updated Oil Contingency Plan to include emergency procedures for ascertaining the security and stability of oil supply: tapping non-traditional oil suppliers such as Russia and pursuing the development of indigenous oil sources, particularly natural gas, by enhancing incentive packages for investments on this product.

- Launched a natural gas vehicle (NGV) program for public transport in October 2002, outlining the government policies and strategies in developing the commercial use of natural gas to make the public transportation less vulnerable to the volatility of world oil prices. Among the agency initiatives to bring down fuel cost for public transport through the use of natural gas are: enhancement by BOI of incentive packages for investments on natural gas and grant by DOTC of franchises for three natural gas bus fleets (one for Batangas-Bicol route and two for Batangas-Manila route).
- Cushioned the impact of price hikes by ensuring staggered implementation of price adjustments, thereby also helping stabilize transport fares.
- Implemented consumer-related and industry reform programs such as unbundling of rates for a more transparent system of billing duly itemized electricity services.

Information and Communications Technology (ICT)

- Identified 9 IT hub areas where the telecommunications industry can establish high-speed networks and connectivity: Pasig-Ortigas Business District; Fort Bonifacio Global City and RCBC (Makati City); UP-Ateneo-Eastwood (Quezon City); Alabang-Parañaque-Filinvest (Northgate Cyberzone); Subic and Clark; Cebu Business District-Asia Town IT Park; University Belt (Manila); Davao City.
- Set the policies for a liberalized telecommunications environment, resulting in the operation of 11 international gateway facility (IGF) operators (those that can provide international long distance calls), 7 cellular mobile telephone system operators (1 of which is not yet operational), 11 public trunk radio operators, 14 inter-exchange carrier licensees (those that service other carriers' traffic using their own networks) and 74 local exchange operators (or those with fixed line services).
- Set the policies for systematic and accelerated ICT advancement particularly on:
 - High-speed networks and connectivity to IT hub areas, to remove barriers to the market entry to information technology hub areas and allow full competition in the provision of high-speed networks and connectivity. Costs of local internet connections were reduced from P30 per hour in 2000 to P15 per hour as of July 2002.
 - Retail pricing, to address the artificial oversupply of local telephone lines (3.6 million) by allowing local exchange carriers to design price packages which may include local measured service pricing to suit particular market segment; and
 - Public calling stations and telecenters to address uneven distribution of fixed telephone lines in the regions and ensure universal access; provide windows for small, medium and micro enterprises seeking to invest in the provision of public calling stations and telecenters, particularly in unserved rural areas.
 - Allocated radio frequencies for use by broadband wireless access network operators
- Provided internet access to some 1,007 barangays nationwide, with payphone service and internet capability, a good number of which are in far-flung areas
- Initiated the Project BIG STAR (Bringing Information Technology to Grassroots through Science and Technology Advancement Resources) jointly with the Mirant Philippines Foundation and the Philippine Business for Social Progress (PBSP). Under the project, government develops magnet public schools which can serve as a resource center for IT training such as networking, programming and other IT related competencies.



*Dapat tayong maghangad ng kapayapaan, kaunlaran, katarungan para sa lahat.
A united people working for the common good could steer the nation to overcome difficulties.*

President Gloria Macapagal-Arroyo

Peace and Order

- Pursued efforts to combat high-impact crimes, such as kidnapping leading to:
 - Reduction of kidnapping incidents by 32.3% in 2002 compared to 2001 or from 99 kidnapping incidents in 2001 to 67 in 2002. In Metro Manila where 30% of kidnappings occur, incidents have gone down by 60% since July 2002. This could be attributed to the enhanced manhunt operations to weed out 21 identified kidnap-for-ransom (KFR) groups in the PNP target list. As of 2002, 5 of 21 targeted KFR groups, 7 of 23 targeted KFR leaders and 18 of 136 targeted KFR group members have been neutralized.
 - Arrest and filing of kidnapping charges against 57 KFR suspects.
 - Solution of 28 out of 48 KFR reported cases (58% solution efficiency rate).
- Intensified efforts to curb the drug menace and address rampant smuggling through:
 - Enactment of the Comprehensive Dangerous Drugs Act of 2002 (RA 9165) on 7 June 2002 which created the Philippine Drug Enforcement Agency (PDEA) to carry out the government's campaign to eradicate the drug menace. PDEA operations led to the dismantling of four big shabu laboratories; neutralization of one transnational and 31 local drug syndicates; arrest of 9,245 drug personalities; filing of 5,821 drug cases; clearing of 55 drug-affected barangays; and seizure of P5.04 billion worth of illegal drugs, chemicals, and equipment.

- Created the AFP Anti-Crime Task Force (ACTAF) in April 2001 to conduct anti-crime and anti-terrorism operations in support of PNP and NBI.
 - Shabu buy-bust operations of 1,394.5 grams and 13 sachets worth P2.98 million and marijuana uprooting operations involving about 548,550 marijuana plants with estimated value of P244.7 million
 - Recovery of 173 units of motorcycles worth P60 million; smuggled garments, medicines and batteries for toys worth P5 million.
- Launched Patrol 117, a nationwide campaign to strengthen the government's drive against lawlessness and criminality which necessitates the involvement of agencies and public assistance groups to respond to emergency calls for help in any part of the country.

National Defense and Security

- Increased deployment of AFP personnel in Mindanao from 6,607 in July 2001 to 8,963 in December 2002, and from 1,209 CAFGUs to 2,426, resulting in:
 - Reduced strength of the Abu Sayyaf Group (ASG) by 43% from 803 in January 2001 to 461 in December 2002. ASG key leaders arrested/killed include: ASG Military Chief Commander Global; Commander Robot; Hector Janjanlani; ASG Political strategist Jimmy Teng; Aldam Tilao also known as Abu Sabaya; and Sainon Japilon.
 - Rescue of 146 Abu Sayyaf hostages.
 - Confinement of ASG to remote areas of Basilan Province.
- Intensified operations against the Communist Party of the Philippines-New People's Army (CPP-NPA) resulting in the decrease of the communist terrorist movement's strength by 22% from 11,930 in 2001 to 9,257 in 2002, the neutralization of 947 NPA elements and recovery of 592 assorted firearms.
- Initiated 16 armed engagements against the Misuari Breakaway Group, which reduced the group's strength by 86% from 3,232 in 2001 to only 451 in 2002.
- Modernized the Armed Forces as provided under the AFP Modernization Program through the Squad Automatic Weapon Acquisition Project worth P122 million in September 2002. Thirty-one modernization projects are still under various stages of acquisition.
- Pursued efforts to fight terrorism through military exercises like "Kapit Bisig 01", a unilateral gaming exercise on emergency response against terrorism. A 16-point Counter-Terrorism Program was issued in response to the renewed alert all over the world against terrorism and to ensure that this threat does not become a reality in the country.
- Convened the National Security Council (NSC) to discuss issues concerning the Iraq crisis. The NSC resolved for the government to give political and moral support to efforts to rid Iraq of its weapons of mass destruction and to contribute to the humanitarian response in post-conflict scenario. All concerned government agencies also ensured the country's safety and security and the preparations made to secure the supply of food and other basic commodities and energy resources to meet any eventuality of a conflict in the Middle East.

Peace Process

- GRP-MILF Peace Talks
 - Conducted exploratory talks with the Moro Islamic Liberation Front to find common grounds for the resumption of formal peace talks.
 - Reaffirmed commitment to implement effectively all past and existing GRP-MILF Agreements and exercise mutual restraint to minimize, if not put an end to, the violence in Mindanao.
- CPP/NPA Peace Talks
 - Because the NDF Panel rejected the 7-point proposal to restart formal peace talks and sought the delisting of Jose Ma. Sison and the CPP-NPA from the list of foreign terrorists, peace talks are on indefinite recess. However, government lines of communication remain open to those who want to pursue peace
 - The Panel conducted focus group discussions on the GRP-NDF peace talks in November 2002 to facilitate issue resolution as well as to mobilize public support for the peace process.
 - Conducted a dialogue with the Security Committee under the COC-IS in October 2002 resulting in the drafting of the consensus text on the security sector reform section of the final peace agreement.
- RPMP/RPA/ABB Peace Talks
 - Issued EO 117 on 20 August 2002 which reconstituted the Joint Enforcement and Monitoring Committee (JEMC) to implement the GRP-RPA/ABB peace agreement that will facilitate implementation of the Peace Agreement of December 2000.
 - On October 2002, the five-man JEMC was reconstituted and appointed by the President. To assist the JEMC in its implementation of the 2000 Peace Agreement, the JEMC has approved the creation of four National Technical Working Groups (N-TWG) on Cessation of Hostilities, on Civil and Political Rights, on Reintegration, and on Development.
- GRP-MNLF Peace Agreement
 - Integrated 5,750 MNLF members into the AFP and 1,500 MNLF members into the PNP, in full compliance with the Peace Agreement.
 - Conducted plebiscite on 14 August 2001 to expand the coverage of ARMM, and ARMM regional elections on 26 November 2001. Mr. Parouk Hussin was proclaimed the new elected ARMM Governor while Basilan province voted to become a new member of ARMM.
 - Issued EO 125 on 16 September 2002 which enhanced the devolution of powers and functions, programs and projects to the ARMM.
- Implemented programs for reconciliation, reintegration, and rehabilitation of rebel returnees.
 - Provided P5.6 million in emergency assistance to 2,485 former NPA, MILF and MNLF rebels.
 - Launched Livelihood Assistance and Capability Training program which benefited some 2,610 former rebels at a cost of P19.2 million.

- Continued the OPAPP-CHED Scholarship Grant program which benefited former rebels and their relatives. The program maintains some 1,476 scholars every year.

Justice System

- Supported the fair and speedy trial of cases against former President Estrada:
 - 59 witnesses (52 in the plunder case; six in the perjury case; and one in the motion to travel abroad of the former President) have been presented by the prosecution as of December 16, 2002. Prosecution intends to present and terminate all testimonies of their witnesses by end-March 2003.
- Facilitated the extradition of Rep. Mark Jimenez to the U.S.A. in December 2002, pursuant to the provisions of our extradition treaty with the U.S.A.
- Out of the total 37 smuggling cases filed with the DOJ, 11 cases have been filed in court, four have been endorsed to the Fiscal for filing in court, one has been endorsed to the Ombudsman for filing of plunder charges, 14 are under preliminary investigation, six are for resolution, and one has been dismissed.



Matapat na pamamahala is the key to the door of broader prosperity. Without it, even the best-laid development plan is doomed to fail. But with *matapat na pamamahala*, government will devote its entire being, spirit and resource to deliver the poor from the clutches of poverty.

President Gloria Macapagal-Arroyo

Anti-Graft and Corruption

- Issued Administrative Order No. 1 (22 January 2001) which prohibits public officers and employees from entering into certain kinds of official transactions with real, pretended or imaginary relatives of the President and the First Gentleman.
- Created the Presidential Anti-Graft Commission (Executive Order No. 12, s. of 2001) to investigate and conduct hearings of administrative cases and complaints against all Presidential appointees in the Executive Department, and assist the President in the campaign against graft and corruption. Its major accomplishments and activities include:
 - Conduct of random lifestyle checks on government officials with the rank of director and above, including the First Gentleman.
 - Resolution/decision of 434 cases filed against Presidential appointees, 23 of which were motu proprio cases and 26 have punitive recommendations.

- Investigation of reported excessive allowances and compensation of officers of GOCCs and GFIs for possible violation of Memorandum Order No. 20 which directed the heads of GOCCs and GFIs and their subsidiaries to implement pay rationalization in all senior officers positions.
- Forging closer links with concerned government agencies (e.g., DBM, DAP) and NGOs (such as Procurement Watch, Inc. and Transparency Accountability Network) in crafting a National Anti-Corruption Plan.
- Preparation and crafting of the Philippine position in the negotiations of a new international legal instrument against corruption before the United Nations.
- Stepped-up drive to curb smuggling of agricultural products resulting in:
 - Seizure of 348,640 bags of rice in 2002 compared to 1,023,628 bags seized in 2001, indicating a downward trend in rice smuggling.
 - Apprehension of 66 container vans of smuggled imported vegetables as of 15 February 2003.
- Created the Bureau of Customs Task Force on Good Governance and Anti Corruption for the implementation of the Customs Code of Conduct and Rules of Ethics, study on streamlining the BOC structure and monitoring BOC corporate plans and activities.
- Launched an intensified campaign against individuals with fake professional licenses and the syndicates involved in their production. From the 30 cases that have been referred to the Professional Regulations Commission, 14 were submitted to the Manila Prosecutors Office and the rest are still being investigated.
- Collaborated with the Volunteers Against Crime and Corruption (VACC), the Government Watch, the Procurement Watch and designated persons by the Ombudsman in maintaining transparency and prevent graft and corruption in the Bids and Awards Committee of the DPWH.
- Pursued prosecution of persons involved in corruption and smuggling leading to:
 - Dismissal of five officials of the Department of Public Works and Highways and filing of administrative and graft charges against 13 other DPWH officials for their involvement in a vehicle repair scam.
 - Issuance of Administrative Order No. 53, on 13 December 2002, permanently banning the members of the Board of Public Estates Authority from government service, for the anomalies in the construction of the President Diosdado Macapagal Avenue. In addition, cases were also filed against the erring PEA officials before the Ombudsman.
 - Filing of 17 counts of violation of Anti-Money Laundering Act against former ranking officials of the LBP (Artemio San Juan, Acsa Ramirez, Ramon Joven) and several others for diversion to private accounts of P205 million corporate tax payments.
 - Filing before DOJ of 29 criminal cases involving 53 persons for smuggling, including four criminal cases for rice smuggling, from January to December 2002.
 - Investigation and hearing of cases involving 94 BIR personnel for various offenses, 35 of which involve graft and corruption from Jan. 2002 - March 2003. For 2001, BIR filed 59 cases, 13 of which were dismissed. Of the remaining 36 cases, nine personnel were recommended for dismissal from the revenue service – six of which became final and executory while three have filed Motions for Reconsideration.

- 2,673 letter-notices were sent to taxpayers resulting in collection of P5.032 B with receivables of about P5.277 B. Eleven taxpayers cases for sales underdeclaration amounting to P427 million were referred to OGCC for prosecution.
 - OGCC has filed the appropriate criminal cases with DOJ and the Office of the City Prosecutor for preliminary investigation. One case was already filed with the Regional Trial Court.
- Dismissal from the service of 1st Asst. Chief Prosecutor Oscar Corpus of San Fernando, La Union for gross neglect of duty and/or inefficiency and incompetence in the performance of official duties (Administrative Order No. 52, dated 28 November 2002) by tagging as accessory, instead of principal, the kidnappers of Rowena Tiu.
- Filing of seven cases against four judges involved in graft and corrupt activities.
- Launched an intensified campaign against individuals having fake professional licenses and the syndicates involved in their production. From the 30 cases that have been referred to the PRC, 14 were submitted to the Manila Prosecutors Office and the rest are still being investigated.
- Barred Presidential relatives and kin from entering into contractual engagements with the government.
- Certified for passage the Procurement Act, aimed at making the government procurement process more transparent and predictable, with minimal opportunities for graft.
- Advanced the government-wide use of the e-Procurement System:
 - 1,979 agencies registered against target of 800 for FY 2002-2003
 - 3,220 suppliers registered against target of 2,000 for FY 2002-2003
 - 15,642 new bid notices posted against target of 3,000 for FY 2002-2003
- Enacted the Anti-Money Laundering Act, aimed at enhancing Philippine system's detection of "dirty money," minimizing corruption of the Philippine banking system.
- Installed a Resident Ombudsman in each agency to go after erring or misbehaving officials/employees
- Formed the privately funded Governance Advisory Council to serve as watchdog against corruption, promote transparency in governance and uphold the moral leadership the Administration has vowed to provide.

Anti-Red Tape

- Instituted initiatives in the different government agencies to address red tape and corruption:
 - Acquisition of goods, supplies and materials through the Procurement Service of the Department of Budget and Management;
 - Posting of flowcharts at the lobby of government agencies with frontline services showing the processes and steps in business transactions;
 - Reduction of signatories and processing time of various clearances, licenses and permits, even reducing signatories by half, in a number of agencies.
 - Issuance of EO 40 consolidating procurement rules and regulations to enhance transparency in government procurement.

- Enhanced efficiency in the delivery of infrastructure services, increase in transparency, and improvement of internal controls to combat graft and corruption in DPWH. These reforms focus on the ongoing Road Information and Management Support System (RIMSS) project assisted by the World Bank and the ADB, which includes the intensive use of new procurement system, application of geographic information system, improved Right-of-Way (ROW) management process, improved internal controls on fiscal management, use of New Government Accounting System (NGAS).
- Issued EO 109 which streamlined rules and procedures on the review and approval of all government contracts, considerably cutting the time for processing.
- Enacted Republic Act 9048 on 24 July 2000, which authorizes the city or municipal civil registrar or the consul general to correct a clerical or typographical error in an entry and/or to change the first name or nickname in the civil register without need of a judicial order.
- Encouraged local governments to streamline operations and reduce red tape through the:
 - Establishment of One-Stop Shops in 104 cities, 29 capital towns, 21 municipalities in growth centers and 96 other municipalities;
 - Organization of Customer Complaints Desks in 102 cities, 29 capital towns, 21 municipalities in growth centers and 103 other municipalities; and
 - Improvement of Civil Application Systems in 111 cities, 34 capital towns, 25 municipalities in growth centers and 64 other municipalities.
- Created a direct feedback mechanism through text for immediate response to complaints, like DETxt (complaints against Department of Education), TxtUsok (on smoke-belching vehicles), and Text CSC (on government's frontline services).
- Implemented the Government Website Development Program to improve public access to information about the government. About 368 national government agencies, 62 provinces and 83 cities have put up their websites.

Streamlining the Bureaucracy

- Re-engineered the bureaucracy for better and more efficient service delivery through the issuance of two executive orders rationalizing the OP structure, effecting the unqualified abolition of 69 OP attached agencies and unqualified transfer of 13 agencies. In addition, the transfer and/or abolition of 29 agencies are being studied.



We are living in trying times. Close partnerships and alliances are imperatives for peace, security and democracy.

President Gloria Macapagal-Arroyo

- Pursued initiatives to ensure peaceful means of resolving territorial and jurisdictional disputes in the South China Sea through the signing of the Declaration on the Conduct of Parties in the South China Sea.
- Pursued initiatives to fight terrorism by entering into Trilateral Agreement on Information Exchange and Establishment of Communication Procedures with Malaysia, Indonesia, and later joined by Cambodia and Thailand.
- Provided support to U.S. anti-terrorism activities through the adoption of 16-point policy and action steps against terrorism to assist the international coalition in the larger arena of counteraction.
- Complied with commitments to the United Nations through participation of the AFP to the peacekeeping force in East Timor, and the Philippine United Nations Guards Contingent to Iraq (PUNGCI). The AFP also participated in combined training exercises with other countries such as Maritime Surveillance Exercise with Australia and the MALPHIL-CORPAT with Malaysia.
- Conducted a series of joint Philippines-U.S. military exercises in the Philippines to sharpen our soldiers' capabilities and enhance our strategic relationship with the United States.
- Strengthened cooperation on the fight against transnational crime and terrorism by pushing for the ratification of Mutual Legal Assistance Treaties (MLAT) with countries like Hong Kong, China, Cuba and Pakistan. Recently ratified were that of Australia and the United States.
- Participated in the Senior Officials Meeting on Transnational Crime and the ASEAN Ministerial Meeting on Transnational Crime, co-sponsored the 14th Centenary Lecture on "The United Nations, The International Rule of Law and Terrorism", provided inputs in the Bangkok Anti-terrorism Meeting, and organized and participated in the International Conference on Anti-Terrorism and Tourism Recovery which resulted in the formulation of the Makati Accord 2002, among others.

*“A strong republic
takes care of the people
and takes care of their future.”*

*President Gloria Macapagal - Arroyo
State of the Nation Address 2002*